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In This Edition

Health Care Reform

Insurers, Employers Act Fast on Reform

Although many of the provisions in the sweeping health care reform legislation don't take effect for months or years, many insurers and employers are getting a jump on the law.

UnitedHealthcare, CIGNA and several other health insurers are changing their rules to allow young adults up to age 26 to be included on their parents' health care plans, according to a report in *USA Today*. This move, the insurers say, will keep these young people from falling into a coverage gap between graduating college and landing a job.

The provision takes effect on the first day of a plan year starting six months after March 23, the day the president signed the bill. For employers with calendar-year plans, the change will take effect on Jan. 1, 2011.

The insurers' moves raised questions of whether employees would be taxed on the cost of the coverage if plans expanded coverage before the effective date. However, the IRS recently issued Notice 2010-38, which states that tax-free coverage for employees' children will be extended immediately. This tax-favored coverage is allowed through the end of the calendar year in which the child turns 26, *Business Insurance* reports.

Before health care reform's passage, only dependent children up to age 19, or those up to age 24 if they were full-time students, were allowed to be covered by their parents' plans.

The notice also states that flexible spending accounts (FSAs) can be changed now to pay for uncovered expenses for dependent children up to age 27. The IRS plans to post new regulations extending that change to employees' nondependent children under age 27.

"We want to make it as easy as possible for employers to quickly implement this change and extend health coverage on a tax-favored basis to older children of their employees," said IRS Commissioner Doug Shulman.

In addition to the coverage changes for employees' children, many insurers say they will no longer cut off participants' coverage, known in the industry as "rescissions."

The health care reform law requires insurers to end the practice in September, but insurers have decided again to act early.

Employers also are finding they need to make some fast changes to comply with some lesser-known provisions.

For instance, employers must now provide time and a place for breastfeeding mothers to express milk at work. The health care reform law, which amended the Fair Labor Standards Act (FLSA), states that the place must be somewhere other than a bathroom. Small employers can be exempt if they can show the rule would create "undue hardship," and compensation during break time is not required. However, the law does not supersede any existing state laws that relate to benefits for workers who are breastfeeding.

This change to FLSA was activated when the president signed the bill on March 23.

Employers should immediately set up an appropriate location, amend break policies and inform managers of the new provisions, according to the law firm Troutman Sanders in a recent press release.

Prescription Drugs

Pricey Drugs, Bad Habits Fuel Health Costs

Employers battling the rise of health care cost -- particularly for prescription drugs -- can expect even bigger challenges ahead because of the explosion of the specialty drug market, experts say.

Specialty drugs, used to treat chronic conditions such as diabetes and multiple sclerosis, are becoming more prevalent, and more are on the away, according to Medco, a pharmacy benefit manager. Medco estimates that 30 percent to 40 percent of drugs now being researched are in the specialty category. Some experts predict as much as a five-fold increase in current volumes of these drugs over the next 10 years, according to *Employee Benefit News*.

These specialty drugs often come at a high price, which adds to employers' cost burden for their health care benefits. A recent report by IMS Health announced a 5.1 percent increase in U.S. prescription drug sales in 2009. Nearly 21 percent of total sales came from specialty drugs, IMS reported.

Many experts say employers should prepare for this trend now by implementing cost-control strategies.

"The most knowledgeable plan sponsors recognize the impact of prescription drugs on overall medical costs, and plan sponsors are concerned," said Nick Vasilopoulos, senior vice president of marketing strategy for Medco Health Solutions. "Some plan sponsors are requiring members to take a look at utilization."

The use of generics and value-based approaches, which can include dropping the employee copayment for generics, are gaining traction, said Connie Perry, vice president for practice leadership at PharmD.

"Some of our research for companies has shown that 95 percent of all drugs could be filled in as generic," Perry said. "We're starting to find some moments for optimal use and almost full generic utilization."

But a lower price tag doesn't completely solve the problem, according to a Reuters report on a new Express Scripts study. Patient behavior, such as brand loyalty, procrastination and occasional forgetfulness, can significantly add to drug costs, the study found.

Failing to take drugs as directed is one of the biggest contributors, according to the study. Patients who delay or skip treatment can develop more severe problems later. In fact, Express Scripts estimates noncompliance accounts for $106 billion in health spending annually.

Brand loyalty, which can keep employees from switching to generics, also drives up costs, the study finds. Often, this loyalty develops simply because the drug was the first one to be prescribed by a patient's doctor, researchers said.

Express Scripts estimates that these behaviors account for $1 out of every $5 spent on prescription drugs.

Health Care Costs

UBA Survey: Companies Worry About Impact of Costs

Employers and top decision makers overwhelmingly are concerned about the effect that health care costs are having on their overall corporate costs and their employees, according to a new survey by United Benefit Advisors (UBA).

The 2010 UBA Employer Opinion Survey found 99.4 percent of those polled are worried about the effects of rising health care costs on their profits. Just slightly fewer (97.9 percent) said they were concerned about how these costs would affect their workers - an increase of nearly 20 percent from two years ago.

The survey also found that:

- Employers in general feel better prepared to communicate and implement complex strategies to deal with health benefits.

- Employers are less prepared to meet the legislative and regulatory requirements placed upon them, and those requirements are becoming increasingly complex.
- Less than one in six employers (16.1 percent) feel the government should develop a universal health care system paid with tax dollars.
- Employers favor allowing U.S. consumers to buy drugs from foreign companies (54.1 percent).
- Employers are more divided on state and/or federal mandates for coverage, with 33.9 percent supporting, 36.1 percent opposing and 30 percent answering "not sure."

"On an encouraging note, there is a trend of employers implementing wellness and health management strategies that they feel are having a positive impact on chronic conditions and the effectiveness of these programs in general," according to William Stafford, UBA's vice president of member services.

In Brief

COBRA NOTICES

The U.S. Department of Labor (DOL) has issued new model notices following the latest COBRA federal premium subsidy extension. The Continuing Extension Act extends the 65 percent federal eligibility period to May 31. The notices include a General Notice, Notice of New Election Period, Model Supplemental Information Notice, Model Notice of Extended Election Period and a Model Updated Alternative Notice. The notices are posted on the DOL's website: http://www.dol.gov/ebsa/cobramodelnotice.html.

TAX CREDIT PREMIUMS

The IRS has published state average premium rates for small employers who qualify for the new tax credit created by the recent health care reform legislation. The release includes a chart with the average employee-only and family coverage premiums for the small-group market in each state for the 2010 taxable year. View the release at: http://www.irs.gov/pub/irs-drop/rr-10-13.pdf.

OBESITY CHALLENGES

A new report finds that Mississippi has the highest rate of obesity at nearly 22 percent, according to the U.S. Centers for Disease Control and Prevention. The state also had the most children in the "overweight" category at 44.5 percent. Oregon had the least obese child population at 9.6 percent. The study found 32 percent of children nationally are overweight, and 16 percent are considered obese.

BEFUDDLED BY MONEY

Many workers are not prepared for retirement and struggle to manage their daily finances, according to a survey by the National Foundation for Credit Counseling. Of those polled, 34 percent, or more than 77 million people, gave themselves a grade of C, D or F in their knowledge of personal finance. The survey also found that one-third of adults do not put any part of their income away for retirement.

NEW QDIA RULES

The DOL plans to change a 2007 rule that requires employers give participants more information on target-date funds. The rule will alter the disclosure requirements for qualified default investment alternatives (QDIAs) in August.

ON THE MOVE
For the first time in six years, a lack of local talent was not the biggest factor for corporate relocations, according to a survey by Atlas Van Lines. More than half (53 percent) of companies cited economic conditions as the biggest influence on relocations in 2009. Also, respondents said the number of relocated workers and their relocation budgets shrank compared with 2008.

CASH BALANCE BUMP
The number of cash balance plans jumped 359 percent in a six-year span, according to Kravitz, a national retirement plan consultancy firm. The report found that 80 percent of cash balance plans are with firms with fewer than 100 employees. The majority of plans (63 percent) have fewer than 36 participants.

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